

2005-2006 PERFORMANCE PLAN – SENIOR INVESTMENT OFFICER, FIXED INCOME (Ishii)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	3rd Quarter Status Report
45%	CalPERS Domestic Fixed Income (FI), Internal	Net of Fees, excess return in basis points relative to: Domestic Fixed Income (FI), Internal—CalPERS Custom Leh LPF {SW4KA1 – CALCCLP2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5	+154 bp
10%	CalPERS Total Fund Performance	Net of Fees, excess return in basis points relative to total fund performance benchmark. Comp-PERS Total Fund All Portfolios- CalPERS Policy Index (Daily) {SJ1CA1 – CPERSTO2}	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5	+136 [12.69-11.33]
10%	Other Managed Fixed Income Funds	Gross of Fees, excess return in basis points relative to: <ul style="list-style-type: none"> (4%) High Quality LIBOR Fund – PERS Custom Daily LIBOR {SW3X – CPERSLI2} (3%) Short Duration Fund – PERS Custom Daily Libor (SW9D – VI7D) (3%) CalPERS Internally Managed Short Term - State Street STIF net of fees {SJ10 – Y8K2} 	0 basis points = 0 +5 basis points = 1.0 +8 basis points = 1.5 0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5 0 basis points = 0 +10 basis points = 1.0 +15 basis points = 1.5	+ 8 bp + 16 bp + 18 bp
5%	CalPERS Internal Passive Currency Overlay Management	Net of Fees, return in basis points relative to: Passive currency overlay portfolio – PERS Pareto CCR {SW5PB – YET2}	> -50 basis points = 0 > -30 basis points = 1.0 > -20 basis points = 1.5	- 16 bp

2005-2006 INCENTIVE PLAN – SENIOR INVESTMENT OFFICER, FIXED INCOME (Ishii) – Continued

Quantitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule	3 rd Quarter Status Report
5%	Active International Fixed Income Managers	Net of Fees, excess returns in basis points relative to: Aggregate of the International Fixed Income Managers- CalPERS World Govt X US: {SJDCA1 – CALWGXU2}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5	- 3 bp
10%	CalPERS Opportunistic Programs	<ul style="list-style-type: none"> (5%) Securities Lending Program Net Income from securities lending (5%) Credit Enhancement 	<p><\$60 MM = 0 \$90 MM = 1.0 \$105 MM = 1.5</p> <p>\$0 revenue or 0 losses > 0 \$3.5 million in revenue and 0 losses = 1 \$5.25 million in revenue and 0 losses = 1.5</p>	<p>\$98.6 million net of fees for first nine months of fiscal year.</p> <p>0 losses - \$1,053,883 net of fees</p>
85%	Subtotal	Quantitative Measures		

2005-2006 INCENTIVE PLAN – SENIOR INVESTMENT OFFICER, FIXED INCOME (Ishii) – Continued

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule	3 rd Quarter Status Report
5%	Annual Plan	By 6/30/06, obtain approval by the IC of the Fixed Income Annual Plan for FY 2006/07	From Schedule	See Change Document
5%	Diversity Plan	By 6/30/06, implement all elements of the enterprise wide diversity plan that relate to the responsibilities of the investment office	From Schedule	On Schedule
5%	International Fixed Income	By 6/30/06, secure a decision by the Investment Committee on a policy for the tactical management of the currency hedge ratio.	From Schedule	Policy was presented to the Policy subcommittee and approved at the 6/10/05 meeting. IC approval was secured at the 8/15/05 meeting. Completed at the earliest possible dates.
15%	Subtotal	Qualitative Measures		
100%	Total	Quantitative and Qualitative Measures		

Supervisor's Approval: Original signed by Anne Stausboll

Date: April 25, 2006

INCENTIVE PLAN CHANGE TEMPLATE

Name: Curtis D. Ishii

Position: Senior Investment Officer

Part A (Addition of Performance Measure)

Recommend the following Performance Measure be added to the Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column

Reason for proposed change:

Part B (Deletion of Performance Measure)

Recommend the following Performance Measure be deleted from the Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column

Reason for proposed change:

INCENTIVE PLAN CHANGE (Continued)

Name: Curtis D. Ishii

Position: Senior Investment Officer

Part C (Modification of Performance Measure)

Recommend the Performance Measure(s) listed below be modified as indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
10%	Other Managed Fixed Income Funds	<p>Net of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> (4%) High Quality LIBOR Fund – CalPERS Custom Daily LIBOR {SW3X – CPERSLI2} (3%) Short Duration Fund – CalPERS Custom Daily LIBOR {SW9D – VI7D} (3%) CalPERS Internally Managed Short Term – State Street STIF net of fees {SJ10 – Y8K2} 	<p>0 basis points = 0 + 5 basis points = 1.0 + 8 basis points = 1.5</p> <p>0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points =1.0 +15 basis points =1.5</p>	

INCENTIVE PLAN CHANGE (Continued)

Name: Curtis D. Ishii

Position: Senior Investment Officer

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
10%	Other Managed Fixed Income Funds	<p>Net of Fees, excess return in basis points relative to:</p> <ul style="list-style-type: none"> (4%) High Quality LIBOR Fund – CalPERS BLENDED LIBOR FED FUND INDEX (DAILY) {SW3X – CPERLFFD} (3%) Short Duration Fund – CalPERS BLENDED LIBOR FED FUND INDEX (DAILY) {SW9D – CPERLFFD } (3%) CalPERS Internally Managed Short Term – State Street STIF net of fees {SJ10 – Y8K2} <p>:</p>	<p>0 basis points = 0 + 5 basis points = 1.0 + 8 basis points = 1.5</p> <p>0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5</p> <p>0 basis points = 0 +10 basis points =1.0 +15 basis points =1.5</p>	

Reason for proposed change: On February 14, 2006, the CalPERS Investment Committee approved the modified Investment Policy for the Dollar-Denominated Limited-Duration portfolios which include the High Quality LIBOR and Short Duration Fund portfolios. One of the changes to the Investment Policy included changing the portfolio benchmark from LIBOR to Federal Funds. The changes to this Incentive Plan reflect the Federal Funds benchmark change. The CPERLFFD index is a composite of the original LIBOR based index through 3/31/06, and the new Federal Funds index from that point forward.

INCENTIVE PLAN CHANGE TEMPLATE (continued)

Name: Curtis D. Ishii

Position: Senior Investment Officer

Part C (Modification of Performance Measure)

Recommend the Performance Measure(s) listed below be modified as indicated:

Description in Current Incentive Plan:

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
5%	Annual Plan	By 6/30/06, obtain approval by the IC of the Fixed Income Annual Plan for FY 2006/07		

Proposed description (changes shown in **bold**):

Weight	Factor	Performance Measure	Incentive Schedule	Quarterly Status Report Column
5%	Annual Plan	By 6/01/06, submit to CIO the Fixed Income Annual Plan for FY 2006/07		

Reason for proposed change: Due to the departure of Mark Anson and the anticipated CIO start date of June 1, 2006, annual plans will be submitted to the new CIO for review and approval. Presentation of Annual Plans to IC is anticipated in 3rd quarter of 2006

Supervisor's Approval: Original signed by _____

Date: _____